

## § 162.4

## 32 CFR Ch. I (7–1–08 Edition)

must amortize within 4 years from the date they become operational. In FY 1994 the threshold changes to \$150,000.

(2) *Productivity Enhancing Incentive Fund* (PEIF). PEIF projects cost under \$100,000 and are expected to amortize within 2 years of the date they become operational. In FY 1994 the limit changes to \$150,000.

(3) *Component-Sponsored Investment* (CSI). CSI projects are fast pay-back or high interest investments that may have different DoD Component selection criteria than those specified for PIF or PEIF projects.

(m) *Quality*. The extent to which a product or service meets customer requirements and customer expectations.

### § 162.4 Policy.

It is DoD Policy that:

(a) The PECI program shall be an integral part of DoD Component investment planning and of the Defense Planning, Programming, and Budgeting System (PPBS). DoD Instruction 7045.7.<sup>4</sup> PECI planning shall include the productivity investment fund (PIF), the productivity enhancing incentive fund (PEIF), and component-sponsored investments (CSIs). The PECI program is a major DoD strategy to achieve productivity goals under E.O. 12637.<sup>5</sup>

(b) PECI projects shall be selected to improve quality and productivity, or to reduce unit cost of outputs in defense operations. PECI projects shall be evaluated and approved for funding based on recognized principles of economic analysis. Each PECI project shall be subject to all restrictions established by public law, DoD policy, and other regulatory constraints.

(c) DoD personnel at all levels shall be encouraged to seek out and identify opportunities for quality and productivity improvement. Those efforts shall be supported by using the PECI as a means of financing the improvements. The PECI Program shall provide incentives for participation, supported by the financial management system and policies.

(d) Individuals or groups who successfully identify PECI opportunities that result in significant savings or im-

provements in quality or productivity or who aggressively promote PECI incentives within their organizations should be recognized through the DoD Incentive Awards Program, DoD Instruction 5120.16,<sup>6</sup> the Secretary of Defense Productivity Excellence Awards Program, performance appraisal, or other appropriate means. All these savings derived through PECI will remain with the originating DoD Component. As an incentive a portion of these savings, when possible, should remain at the submitting activity.

(e) Funds provided through FY 1993 from the centrally managed OSD PIF may not be reprogrammed for non-PIF purposes without prior approval of the Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)). The Heads of DoD Components shall monitor obligation rates to ensure PIF projects are executed quickly. If project funding cannot be obligated within the specified fiscal year(s) for the type of funding, the Head of the DoD Component must reprogram PIF funds to alternate approved PIF projects. The PIF projects shall be monitored to ensure timely implementation and to validate savings through the amortization period. The PECIs are subject to audit as established by DoD Instruction 7600.2<sup>7</sup> (reference (g)) policy.

### § 162.5 Responsibilities.

(a) The Assistant Secretary of Defense (Force Management and Personnel) (ASD (FM&P)) shall:

(1) Develop policies and guidance for the overall DoD PECI program.

(2) Maintain oversight of the PECI program to ensure implementation of this instruction. Through FY 1993 that oversight includes total process control and coordination of PIF actions to identify, select and approve, reprogram, and disapprove projects. Starting FY 1994 and ASD (FM&P) shall retain central oversight of the PECI program which is decentralized to the Components.

(3) Evaluate program results and training requirements and provide additional guidance, as necessary.

<sup>4</sup>See footnote 1 to § 162.1(a).

<sup>5</sup>See footnote 1 to § 162.1(a).

<sup>6</sup>See footnote 1 to § 162.1(a).

<sup>7</sup>See footnote 1 to § 162.1(a).